

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE PETITION OF)
DELAWARE DIVISION OF THE PUBLIC)
ADVOCATE TO REDUCE THE RATES OF)
REGULATED UTILITIES AS A RESULT) PSC DOCKET NO. 17-1240
OF THE TAX CUTS AND JOBS ACT OF)
2017'S REDUCTION IN CORPORATE)
INCOME TAXES AND OTHER TAX)
CHANGES (FILED DECEMBER 27, 2017))

ORDER NO. 9319

AND NOW, this 31st day of January, 2019:

1. On December 22, 2017, the President signed the Tax Cuts and Jobs Act of 2017 ("TCJA"), which became effective on January 1, 2018. The TCJA represents the first significant change in the United States federal tax laws since the 1986 Tax reform Act. Among other things, the TCJA: (1) reduces the federal corporate income tax rate from 35% to 21%; (2) allows full and immediate expensing of short-lived capital investments for five years; and (3) increases the expensing cap from \$500,000 to \$1 million.

2. The Delaware Public Service Commission ("Commission") has long included in a regulated utility's operating expenses an amount of federal corporate income tax equal to what the utility would pay if it were a stand-alone company. For many years, the Commission has included in regulated utilities' operating expenses an amount of federal corporate income tax equal to 35%, and has deducted from those utilities' rate base a corresponding amount of Accumulated Deferred Income Tax ("ADIT") pursuant to 26 Del. C. §102(3).

3. On December 27, 2017, the Delaware Division of the Public Advocate ("DPA") filed a petition with the Commission requesting the

Commission to open a docket to examine whether the current rates of its regulated utilities required reduction as a result of the TCJA. The DPA contended that unless the Commission reduces rates in an amount that corresponds to the benefits that the TCJA confers on the utilities, Delaware regulated utility ratepayers will be paying unjust and unreasonable rates. The DPA requested the Commission to direct each regulated utility to file an estimate of its determination of the TCJA's effects on its cost of service, and to propose a procedure for changing rates to reflect those impacts, on or before March 31, 2018. Additionally, should the Commission determine that any utility's rates require reduction as a result of its review of the utility's submission, the DPA asked the Commission to open a docket for each utility for which it made such a determination, and to establish a procedural schedule for conducting an evidentiary hearing regarding the TCJA's impacts on the utility's operations and existing rates.

4. On January 16, 2018, in Order No. 9166, the Commission granted the DPA's petition. It directed each rate-regulated public utility to file an estimate of its determination of the TCJA's effects on its cost of service for the most recent test year available (including new rate schedules) and to propose a procedure for changing rates to reflect those impacts on or before March 31, 2018. It also ordered that if it determined that a utility's rates required reduction, it would open a new docket for each utility for which it made such a determination and would establish a procedural schedule for conducting an evidentiary hearing regarding the TCJA's impacts on the utility's operations and existing rates. The Commission exempted Delmarva Power & Light Company

("DPL") from this order, instead directing that the effects of the TCJA on DPL's electric and natural gas base rates would be addressed in DPL's pending base rate cases, Docket Nos. 17-0977 and 17-0978.

5. On January 19, 2018, the DPA filed a motion to direct regulated utilities to create regulatory liabilities reflecting the Delaware jurisdictional revenue requirement impacts of the TCJA effective February 1, 2018 while the Commission determines whether a utility's rates required reduction and, if so, the amount of such reduction. The DPA contended that in order to preserve the rate-reducing effects of the TCJA until the Commission approves new rates for the utilities, a regulatory liability must be created; otherwise, the prohibition against retroactive ratemaking would deprive ratepayers of the benefits accruing from the TCJA between its effective date and the date on which Commission-authorized new rates become effective. The DPA noted that the reduction of the federal income tax rate from 35% to 21% benefits ratepayers by reducing one of the elements of a utility's cost of service that goes into calculating a utility's revenue requirement by 14%.

6. On February 1, 2018, in Order No. 9177, the Commission granted the DPA's motion and directed all Delaware rate-regulated public utilities to create regulatory liabilities reflecting the Delaware jurisdictional revenue requirement impacts of the changes in the federal corporate income tax laws, in order to protect ratepayer interests until such time as the TCJA benefits are appropriately reflected in customers' rates and to avoid retroactive ratemaking.

7. On March 28, 2018, Suez Water Delaware Inc. ("Suez") complied with Commission Order No. 9166 and submitted an estimate of its determination of the TCJA's effects on its cost of service for the most recent test year available (including new rate schedules) and to propose a procedure for changing rates to reflect those impacts. It further submitted a proposal for returning the regulatory liability created pursuant to Commission Order No. 9177 to ratepayers. As a result of the reduction in Federal Income Tax rates from 35% to 21%, the Company's base rates should be reduced by \$1,309,389, and this amount is utilized in calculating the rates shown in paragraph 8 below. The Company's balance of Excess Deferred Income Taxes is \$6,466,352 as of December 31, 2017 (adjusted) and the amount of the annual reduction utilized in calculating the rates shown in paragraph 8 below is \$161,659.

8. The DPA and Commission Staff have reviewed Suez's filing. The DPA, Staff and Suez have agreed, subject to the Commission's consideration and approval, that Suez' volumetric and fire protection rates will be reduced to reflect the reduction of the federal corporate income tax rate from 35% to 21%, and to refund the Excess Deferred Income Tax ("EDIT") as follows:

Residential Usage		
	Current Rate	New Rate
First 2000 gallons	\$4.5387	\$4.234
Next 5,000 gallons	\$5.4864	\$5.119
Over 7,000 gallons	\$7.6882	\$7.173

Commercial		
	Current Rate	New Rate
All usage	\$4.2567	\$3.971

Industrial		
	Current Rate	New Rate
First 1,400	\$4.1483	\$3.870

Over 1,400	\$3.0953	\$2.888
------------	----------	---------

Public Authority	Current Rate	New Rate
	\$3.9037	\$3.642

Sales for Resale	Current Rate	New Rate
	\$3.9131	\$3.651

Public Hydrants	Current Rate	New Rate
	\$129.27	\$120.60
5/8"	\$2.37	\$2.21
3/4"	\$3.55	\$3.31
1"	\$5.92	\$5.52
1 1/4"	\$8.90	\$8.30
1 1/2"	\$11.85	\$11.06
2"	\$18.99	\$17.72
3"	\$35.61	\$33.22
4"	\$59.36	\$55.38
6"	\$118.77	\$110.81
8"	\$190.02	\$177.28
10"	\$273.17	\$254.86
Private Hydrants	Current Rate	New Rate
Company Maintained	\$129.27	\$120.60
Customer Maintained:		
1 1/2"	\$6.48	\$6.05
2"	\$26.95	\$25.14
4"	\$43.10	\$40.21
6"	\$107.68	\$100.46
8"	\$193.74	\$180.75
10"	\$301.47	\$281.26
12"	\$430.65	\$401.78

See Tariff Sheets attached hereto as Exhibit 1.

9. The DPA, Staff and Suez have further agreed, subject to the Commission's consideration and approval, that the regulatory liability created pursuant to Order No. 9177 for the tax collected from February 1, 2018 through the effective date of these rate changes to ratepayers via a credit on ratepayers' bills during the period April through June 2019.

10. On January 31, 2019, the Commission considered Suez's new proposed rates at its regularly-scheduled meeting.

NOW, THEREFORE, BY THE AFFIRMATIVE VOTES OF NO FEWER THAN THREE COMMISSIONERS, IT IS HEREBY FOUND AND ORDERED:

1. Pursuant to 26 Del. C. § 304(a), the Commission finds good cause to waive the 60- days' notice of proposed rate changes and to waive the public notice requirement to allow these rate changes to become effective with usage on and after March 1, 2019. Good cause exists because the proposed changes are a decrease in rates, which benefits Suez's ratepayers, and because Suez has been on notice since the Commission issued Order Nos. 9166 and 9177 that the Commission would examine the effect of the TCJA on its rates.

2. The Commission hereby approves the proposed reductions in Suez's volumetric rates set forth on the tariff sheets attached hereto as Exhibit 1, effective with usage on and after March 1, 2019.

3. The Commission hereby further approves the return of Suez's regulatory liability created pursuant to Order No. 9177 for the tax collected from February 1, 2018 through the effective date of these rate changes to ratepayers via a credit on ratepayers' bills during the period April through June 2019.

4. The Company shall file its Excess Deferred Income Tax Worksheets by March 31, 2019 for an audit and true-up of the Company's claimed annual amortization rate.

5. The Commission reserves jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chairman

John T. Coraway

Commissioner

John B. Long

Commissioner

[Signature]

Commissioner

K. F. Dexter

Commissioner

ATTEST:

Donna Nicholson

Secretary



TABLE OF CONTENTS

<u>Description</u>	<u>Sheet No.</u>	<u>Revision</u>
Index	1	Twenty Eighth Revised
<u>Rules and Regulations</u>		
Definitions	2	Original
Request for Service	2	Original
Service Connection	3	Original
Cross Connections	4	Third Revised
Meters	4	Third Revised
Meter Setting	4	Third Revised
Meter Testing	5	Original
Bills	5	Original
Discontinuance of Service	6	Second Revised
Customers' Deposits	7	Second Revised
Miscellaneous	8	Second Revised
Fire Protection	9	Third Revised
Water Main Extensions	10 – 10E	First Revised
Installation of Facilities	10F-10H	Third Revised
Appendix A Charges	10I	First Revised
Distribution System Improvement Charge (DSIC)	11 – 11B	Original
<u>Schedule of Rates</u>		
Schedule A – General Metered Rates	12	Thirteenth Revised
Schedule A – Residential Service	12A	Thirteenth Revised
Schedule A – Commercial Service	12B	Twelfth Revised
Schedule A – Industrial Service	12C	Twelfth Revised
Schedule A – Public Authority Service	12D	Twelfth Revised
Schedule A – Sales for Resale	12E	Twelfth Revised
Schedule B – Rates for Public Fire Hydrant Service	13	Tenth Revised
Schedule C – Rates for Private Fire Hydrant Service	14	Tenth Revised
Schedule D – Rates for Private Unmetered Fire Service Line	15	Tenth Revised
Schedule E – Miscellaneous Fees and Charges	16 – 16A	Original
Schedule F – Distribution System Improvement Charge (DSIC)	17	Twenty Fourth Revised

Schedule A - General Metered Rates

Application:

This schedule is applicable to general, residential, commercial, industrial, public authority and sales for resale service throughout the entire territory served.

The rate schedules are shown on the following sheets:

Residential	Thirteenth Revised Sheet No. 12A
Commercial	Twelfth Revised Sheet No. 12B
Industrial	Twelfth Revised Sheet No. 12C
Public Authority	Twelfth Revised Sheet No. 12D
Sales for Resale	Twelfth Revised Sheet No. 12E

Terms of Payment:

All bills for service under the schedule will be rendered monthly in arrears. The bills at the rates shown are due and payable when rendered.

All customers within a Fire Hydrant District (where an incorporated town does not pay hydrant charges) are subject to a charge, as shown on Schedule B (Sheet No. 13) in addition to the above rates.

Residential Service

Rate:

Residential consumption reflects an inclining block rate as set forth below in compliance with House Bill 118, the Water Supply Self Sufficiency Act of 2003 (26 Del. C. 1401-1408.).

<u>Monthly Consumption</u> <u>In 1,000 Gallons</u>	<u>Rate per</u> <u>1,000 Gallons</u>
0 – 2	\$4.234
2 – 7	5.119
Over 7	7.173

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$12.50
3/4"	15.10
1"	19.98
1 1/4"	23.44
1 1/2"	29.13
2"	43.29
3"	110.00
4"	147.36
6"	236.22
8"	339.07
10"	440.97

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Commercial Service

Rate:

All consumption at \$3.971 per 1,000 gallons.

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$12.50
3/4"	15.10
1"	19.98
1 1/4"	23.44
1 1/2"	29.13
2"	43.29
3"	110.00
4"	147.36
6"	236.22
8"	339.07
10"	440.97

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Industrial Service

Rate:

	<u>Monthly Consumption In 1,000 Gallons</u>	<u>Rate per 1,000 Gallons</u>
First	1,400	\$3.870
All Over	1,400	2.888

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$12.50
3/4"	15.10
1"	19.98
1 1/4"	23.44
1 1/2"	29.13
2"	43.29
3"	110.00
4"	147.36
6"	236.22
8"	339.07
10"	440.97

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Public Authority Service

Rate:

All consumption at \$3.642 per 1,000 gallons.

Service Charges:

To be billed in addition to the consumption usage.
No allowance for water included in service charge.

<u>Meter Size</u>	<u>Per Month</u>
5/8"	\$12.50
3/4"	15.10
1"	19.98
1 1/4"	23.44
1 1/2"	29.13
2"	43.29
3"	110.00
4"	147.36
6"	236.22
8"	339.07
10"	440.97

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Sales for Resale

Rate:

All consumption at \$3.651 per 1,000 gallons.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Schedule B - Rates for Public Fire Hydrant Service

Application:

To public fire hydrant service through the entire territory served.

Rates:

To Political Subdivision

	<u>Net Per Month</u>	<u>Net Per Quarter</u>
For fire hydrant installed and maintained by the Company at its expense		
Each fire hydrant:	\$120.60	\$361.80
For fire hydrant installed and maintained by the political subdivision at its expense		
Each fire hydrant:	\$107.68	\$323.04

Individual Customers

To individuals in protected areas so
designed by the National Board of Fire
Underwriters, and when liability for
service is not assumed by a political
subdivision

Each customer:	<u>Meter Size</u>	<u>Per Month</u>
	5/8"	\$2.21
	3/4"	3.31
	1"	5.52
	1 1/4"	8.30
	1 1/2"	11.06
	2"	17.72
	3"	33.22
	4"	55.38
	6"	110.81
	8"	177.28
	10"	254.86

Conditions of Contract:

The monthly or quarterly charge to individual customers shall be in addition to charges under any schedule of rates.

Terms of Payment:

All bills for service under this schedule will be rendered in arrears either quarterly or monthly at the option of the Company. The bills at the above rates are due and payable when rendered.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Schedule C - Rates for Private Fire Hydrant Service

Application:

Applicable to all customers who have private fire hydrant installations on fire hydrant lateral connection to the company-owned mains.

Rates:

	<u>Net Per Month</u>
For fire hydrant installed and maintained by the Company at its expense	
Each Hydrant:	\$120.60
For fire hydrant installed and maintained by the customer at his expense	
Each Hydrant:	\$107.68

Conditions:

The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire service, and such metered service shall then be billed in accordance with the regular schedule of meter rates in addition to the above rates, with proper allowance for water consumed in fire fighting.

Terms of Payment:

Private fire hydrant service will be billed in arrears on a quarterly or monthly basis at the discretion of the Company.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.

Schedule D - Rates for Private Unmetered Fire Service Line

Application:

Applicable to all customers who have unmetered service line connection for fire protection.

Rates:

<u>Size</u>	<u>Net Per Month</u>
For each 1 ½" Service Line	\$6.05
For each 2" Service Line	25.14
For each 4" Service Line	40.21
For each 6" Service Line	100.46
For each 8" Service Line	180.75
For each 10" Service Line	281.26
For each 12" Service Line	401.78

Conditions of Contract:

The Company reserves the right to meter any fire line where evidence indicates that water is being taken from the line for purposes other than fire service, and such metered service shall then be billed in accordance with the regular schedule of meter rates in addition to the above rates, with proper allowance for water consumed in firefighting.

Terms of Payment:

Private unmetered fire service will be billed in arrears on a quarterly or monthly basis at the option of the Company.

Late Payment:

Bills rendered will show the bill due upon receipt. Payment received by the Company 20 days after the date of the bill will be charged a penalty of 1.5%, and such penalty will be calculated monthly thereafter only on the overdue portion of the bill. In no event shall the penalty charged exceed 18% annually.